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DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR  
DEPT PASS TO USTR MDELANEY/CLILIENTFELD/AADLER  
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA MNUGENT  
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN  
USDA PASS FAS/OCRA/RADLER/BEAN/FERUS  
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IN

SUBJECT: New Delhi Weekly Econ Office Highlights for the Week of  
August 31 - September 4, 2009

REFTEL:

¶1. (U) Below is a compilation of economic highlights from Embassy  
New Delhi for the week of August 31 - September 4, 2009, including  
the following:

- India Hosts WTO Mini-Ministerial to Re-energize Doha
- India's Own Trade Continues to Plunge
- More Investment Options for Foreign Venture Capital Funds
- Parliamentary Standing Committee of Finance Finalized

India Hosts WTO Mini-Ministerial  
to Re-energize Doha  
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¶2. (SBU) India's Minister of Commerce and Industry Anand Sharma  
hosted a mini-Ministerial in Delhi September 2-4 entitled  
"Re-energizing Doha - a Commitment to Development," which was  
attended by Ministers from more than 45 WTO member countries as well  
as more than 100 lower level delegations. The Ministry's press  
release said "the objective of the meeting was to discuss the  
contours and the content of the Ministerial engagement and to decide  
on issues to be presented to Ministers or receiving their guidance."  
Informally, Sharma said he was seeking a "rainbow coalition" of  
support to reenergize the Doha Round and bring about a successful  
conclusion.

¶3. (SBU) At an event hosted by the Federation of Indian Chambers of  
Commerce and Industry (FICCI) for WTO Director General Lamy on  
September 3, FICCI's Secretary General Amit Mitra commented that as  
India is viewed widely as the spoiler that caused the breakdown in  
the July 2008 negotiations, its hosting of this event represents a  
"tectonic shift." In a bilateral meeting, Ambassador Kirk and  
Minister Sharma joked that with India hosting the event and the  
United States in attendance, there was much less opportunity for  
other countries, such as China or Brazil, to hide behind them.

¶4. (SBU) Following the conclusion of the formal program this

afternoon, the USTR delegation provided an informal readout, noting that Ambassador Kirk was pleased with the outcome and that Minister Sharma had made a conscious effort to improve the dynamics of U.S.-Indian trade relations. Despite those warm feelings, there remain "significant substantive issues that will militate against" harmonious resolution. The final conference document was written with a high level of abstraction. It states that the multilateral approach will be the main focus in the future, because it ensures inclusivity and transparency. However, bilateral meetings may also be required since they can provide better understanding of national positions. Although all participants endorsed this statement, the U.S. view of how bilateral negotiations should proceed remains very different from others and the issue remains unresolved. This evening, a small group Ministerial dinner will take place, which may allow for a bit more progress or at least a more frank exchange of views. Comment: Good conference, useful discussion, improvement in Indo-U.S. atmospherics, but no major breakthrough. End Comment.

#### India's Own Trade Continues to Plunge

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15. (U) India's merchandise exports fell 28.5 percent to an estimated \$13.6 billion in July 2009 on an annual basis, according to the latest Government of India (GOI) data. This prolongs India's export decline for the tenth consecutive month. April - July 2009 exports contracted 34 percent annually to \$49.6 billion. The GOI blames the contraction on consistently depressed demand. Imports also dropped significantly (37 percent) to \$19.6 billion in July from \$31.2 billion a year ago, due to decreased demand and the fall in oil prices. Non-oil imports fell 24 percent during April-July 2009, hinting at sluggish domestic industrial activity. Oil imports

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decreased 48 percent to \$22 billion from \$42 billion in same period in 2008-09, mainly due to reduced crude oil prices. Since imports fell more than exports, the trade gap during the same period narrowed to \$29 billion from \$41 billion.

16. (U) India's total exports grew a mere 3.4 per cent to \$169 billion in fiscal 2008-09 (April 1, 2008 to March 31, 2009). The Planning Commission announced to the media that "exports would recover as industrialized countries return to positive growth of one percent in 2010 with further acceleration in 2011." The GOI and industry groups hope the measures announced on August 27 in India's Foreign Trade Policy to promote exports, including continuation of export subsidies, will help mitigate the downturn in global demand. The Federation of Indian Export Organizations, however, expects the decline to continue for several more months.

#### More Investment Options for Foreign Venture Capital Funds

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17. (U) The GOI and the Reserve Bank of India (RBI) recently broadened the scope of investment options available to Foreign Venture Capital Funds (FVCs), albeit through foreign direct investment (FDI). Currently, the 129 FVCs operating in India are allowed to invest only in ten defined sectors such as infrastructure, biotechnology, nano-technology, biofuel, IT-related activities for hardware and software, dairy, and poultry sectors. FVCs have not been allowed to invest in more attractive sectors such as technology, media and entertainment, and business process outsourcing.

18. (U) In a recent ruling, the RBI granted permission to FVCs registered in India to invest in almost any sector in the country, subject to FDI regulations. To buy into companies that are outside the permissible ten sectors, FVCs will have to either receive approval from the Ministry of Finance's Foreign Investment Promotion Board (FIPB) or directly invest in sectors where FDI is permitted under the automatic route, where approval by the FIPB is not required. FVCs will still be forbidden from investing in the real estate market.

19. (U) Comment: Reaction has been generally positive. The new rules will allow FVCs to diversify risk in India across sectors as well

as providing an opportunity to increase returns on equity through investments in more profitable sectors. If the liberalization works, it may also help India attract additional FDI. As would-be investors tell us, however, the right market conditions still need to exist, including transparent predictable policies and the right market conditions to generate competitive returns on investment.  
End Comment.

Parliamentary Standing Committee on  
Finance Finalized  
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¶10. (U) Parliamentary Speaker Ms. Miera Kumar nominated leading opposition member Dr. Murli Manohar Joshi as Chairman of India's Parliamentary Standing Committee of Finance for fiscal year 2009-10. The Finance Committee is important to foreign investors because it is expected to consider several economic reform bills affecting the insurance, pension, and banking sectors. It also oversees domestic financial matters including the income tax code, which may be revamped this year. Although there is no fixed schedule, the Finance Committee generally meets between parliamentary sessions in order to debate various bills before making recommendations for votes in Parliament.

¶11. (U) Note: Important committees like finance, industry, defense,

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external affairs and home affairs are traditionally headed by the senior opposition members of Parliament in order to provide them certain privileges and benefits such as office space in the Parliament house. The current Finance Committee consists of 31 Members of Parliament - 21 from the Lok Sabha (lower house of Parliament) and 10 from the Rajya Sabha (upper house of Parliament). Although the Chairman is from the opposition party, the ruling coalition will have a majority of the 31 seats in the Finance Committee. End Note.

¶12. (SBU) Chairman Joshi is best known for his views on Indian socio-politics and for his affiliation with the right-wing Hindu nationalist party RSS. He was appointed as Chairman of the Manifesto Preparation Board of the Hindu nationalist BJP party in ¶2009. With a doctorate degree in science, Dr. Joshi held important ministerial positions during the 1998-2004 National Democratic Alliance BJP-led coalition government, including at the Ministries of Human Resources Development, Science & Technology, Ocean Development and Home Affairs. He has been a member of many Standing Committees including those responsible for public accounts, finance, defense and agriculture. A representative from U.S. insurer MetLife told Econoff that Dr. Joshi was a BJP hardliner but a good choice as he understands "the big picture." He did not think Dr. Joshi would hold up the insurance reform bill.

¶13. (U) Visit New Delhi's Classified Website:  
<http://www.state.sgov/p/sa/newdelhi>.

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